

Bay Area Transportation Improvements and a Regional Gas Tax — Senate Bill 877 (Alquist)

What the Bill Would Do

SB 877 would authorize a vote by the region's electorate on a series of transportation improvement projects, to be funded by up to a 10-cent per gallon tax on gasoline sold in Bay Area counties. The bill directs the Metropolitan Transportation Commission (MTC) to develop the list of transportation projects. A measure to approve the list of projects and the funding mechanism — the regional gas tax — would be placed on the November 1996 ballot in all nine Bay Area counties. If the measure is approved by a majority of the voters, the tax would go into effect on January 1, 1997, for a period of 20 years.

Why a Regional Tax is Needed

At present, the Bay Area faces significant revenue shortfalls from traditional federal, state, and local sources of transportation funding. Specifically:

- In Washington, Congress has approved a budget plan to cut federal transportation expenditures by \$30 billion over the next seven years. Under this proposal, highway funding would be cut substantially and transit operating assistance to help run the region's buses and trains would be phased out completely.
- California is facing a \$5.9 billion transportation funding shortfall, due largely to the unforeseeable effects of earthquakes, a severe economic recession, and the failure of key bond measures at the polls. As a result, already approved highway and transit expansion projects dependent on state funding in the State Transportation Improvement Program (STIP) will be delayed from 3 to 5 years. Key Bay Area projects affected include: the widening of I-880 for carpool lanes in the East Bay; the replacement of aging Muni Metro light rail vehicles in San Francisco; the widening of Highway 101 for carpool lanes in the North Bay; and the extension of Santa Clara County's light rail system along the Tasman corridor.
- Shortfalls identified in MTC's 1994 *Regional Transportation Plan* will severely impair the region's ability to do such fundamental tasks as fill potholes, repair damaged pavement, and maintain existing transit service. The plan forecasts a 20-year shortfall of \$2 billion to repair local streets and roads, and a \$1 billion shortfall to fund public transit in the Bay Area, including services required by the Americans With Disabilities Act.
- Finally, five Bay Area counties have voter-approved, fixed-term (10-20 years) sales taxes for transportation. However, the viability of these funding levies is now under challenge in the California Supreme Court.

These shortfalls pose a serious threat to the Bay Area's ability to pay for transportation projects that are critical to the region's economic health and overall quality of life. Accordingly, MTC believes that Bay Area voters should have the option of

taking action to salvage important projects that would otherwise be delayed or cancelled. SB 877 would provide the Bay Area with this option. Importantly, all revenue raised from the gas tax would be spent in the region. And, because funds would be administered at the regional — rather than state or federal — level, SB 877 would speed project delivery.

**Program of
Projects**

Prior to a vote in 1996, MTC, working with local officials and the public, will develop an expenditure plan identifying projects, cost estimates, and the amount of tax revenue expected to be available to spend. Types of projects likely to be included in such a list are:

- light rail systems in various counties;
- new commuter rail projects and extensions;
- new ferry and bicycle projects;
- carpool lanes;
- seismic retrofit projects and roadway safety improvements;
- operating and maintenance funding for highways, roads and transit.

**How Much
Revenue Would
Be Raised?**

A regional gasoline tax of 10 cents per gallon would generate approximately \$4 billion (in 1995 dollars) over a twenty year period, depending on future fuel usage. On average, the tax would generate approximately \$200 million per year. *Please note, however, that SB 877 authorizes a maximum tax rate of 10 cents per gallon; the tax level submitted to the voters might be lower.*

**Bay Area Support
for Transportation
Funding**

Bay Area voters have a history of supporting needed transportation investments. Since 1984, voters in five counties have approved half-cent sales tax measures for transportation, and, in 1988, the region's voters approved Regional Measure 1, the ballot measure that raised tolls to \$1 on all state-owned bridges in the Bay Area to fund specified bridge and transit improvements. In addition, Bay Area voters have consistently voted above statewide averages on state ballot measures for transportation funding (see Figure 1).

**Existing Taxes
on Gasoline**

Gasoline is taxed on a per-gallon basis at the federal and state levels, and most of the revenue is dedicated to transportation purposes. Currently, the state and federal tax rates are the same; each is 18 cents per gallon. Gasoline is also subject to the state sales tax, which varies by county.

**Restoring Lost
Purchasing Power**

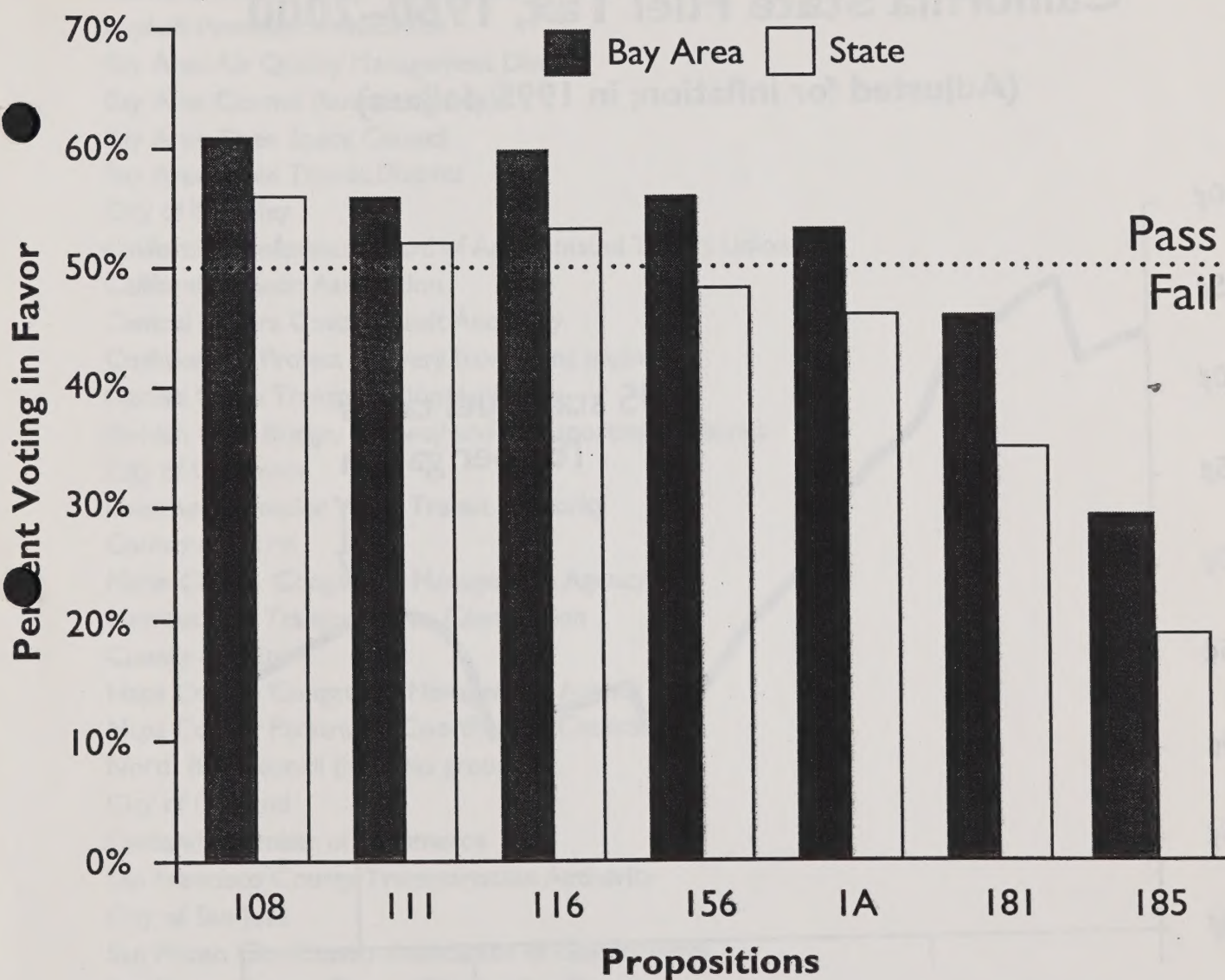
The state gas tax, adjusted for inflation, has declined substantially in purchasing power since 1960 (see Figure 2). Even a sizable new tax on gasoline in the Bay Area would leave the gas tax costs paid by motorists well below historical levels.

**Widespread
Support for SB 877**

The proposed regional gasoline tax would give the Bay Area the means to cope with the new budgetary realities in Sacramento and Washington and protect the transportation future of the region. SB 877 is supported by a broad coalition of business, environmental and transportation interests. A list of those organizations supporting SB 877 is attached (see Figure 3).

Figure 1

Voting Results on Transportation Funding Ballot Measures: Bay Area vs. State



Prop. 108	\$1 billion rail bond measure	(June 1990)
Prop. 111	9¢ gas tax increase	(June 1990)
Prop. 116	\$2 billion rail bond measure	(June 1990)
Prop. 156	\$1 billion rail bond measure	(Nov. 1992)
Prop. 1A	\$2 billion bond measure for seismic repair/retrofit	(June 1994)
Prop. 181	\$1 billion rail bond measure	(Nov. 1994)
Prop. 185	4% sales tax on gasoline	(Nov. 1994)

Figure 2

Declining Purchasing Power of California State Fuel Tax, 1960–2000

(Adjusted for inflation; in 1995 dollars)

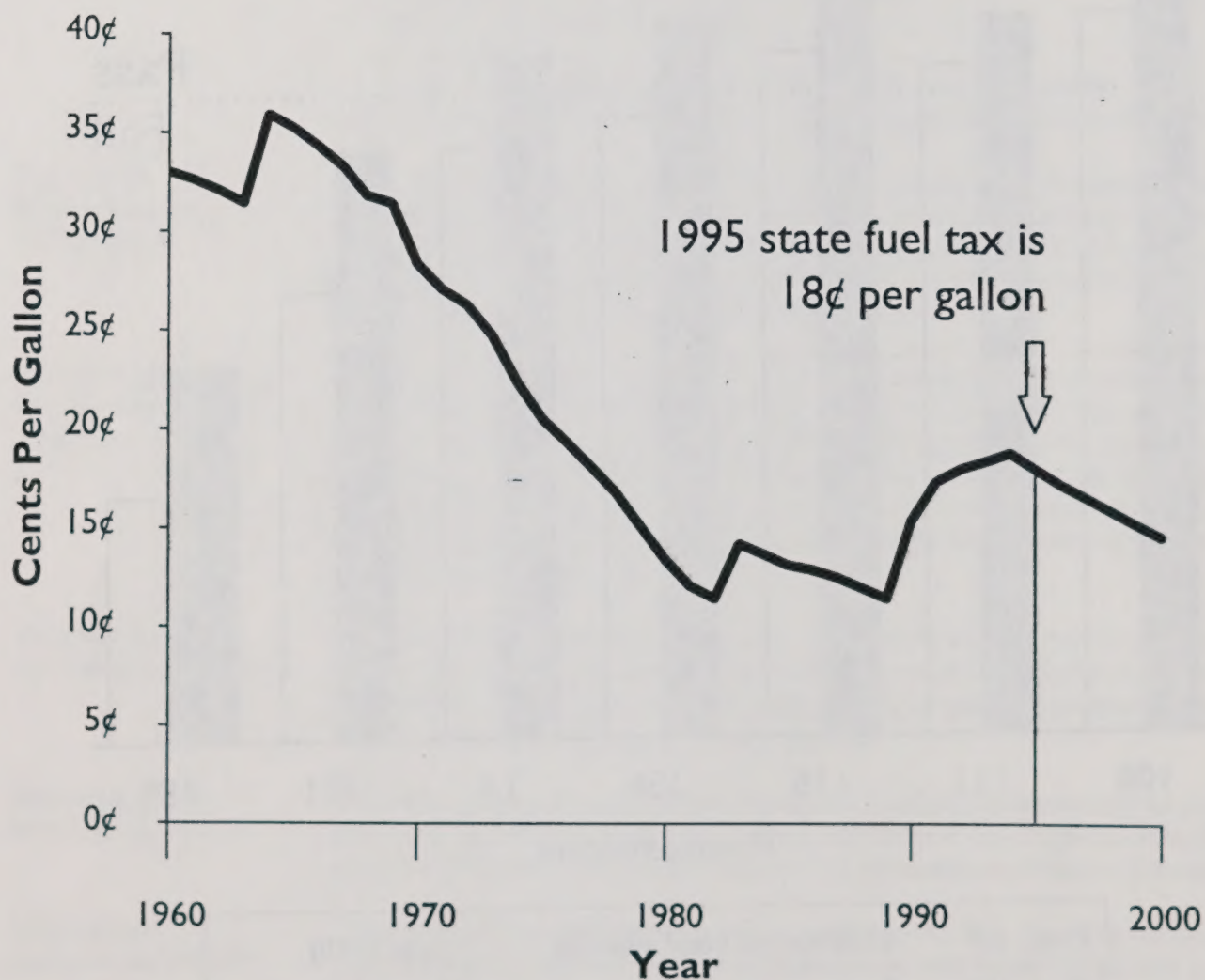


Figure 3

Support Positions for SB 877 (Alquist) Regional Gas Tax

Alameda County Congestion Management Agency
Alameda-Contra Costa Transit District
Asphalt Pavement Association
Bay Area Air Quality Management District
Bay Area Council (business group)
Bay Area Open Space Council
Bay Area Rapid Transit District
City of Berkeley
California Conference Board of Amalgamated Transit Union
California Transit Association
Central Contra Costa Transit Authority
Coalition for Project Delivery (consulting engineers)
Contra Costa Transportation Authority
Golden Gate Bridge, Highway and Transportation District
City of Livermore
Livermore/Amador Valley Transit Authority
County of Marin
Marin County Congestion Management Agency
Metropolitan Transportation Commission
County of Napa
Napa County Congestion Management Agency
Napa County Paratransit Coordinating Council
North Bay Council (business group)
City of Oakland
Oakland Chamber of Commerce
San Francisco County Transportation Authority
City of San Jose
San Mateo City/County Association of Governments
San Mateo County Transit District (SamTrans)
San Mateo County Transportation Authority
Santa Clara County Transit District
Santa Clara Valley Manufacturing Group
City of Santa Rosa
Sierra Club California
Solano County Transportation Authority
Union of Concerned Scientists

(as of July 28, 1995)



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